

ISSUES ON INTELLIGENCE RESOURCE MANAGEMENT

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SUMMARY

The Commission has several important opportunities to contribute to better management of intelligence resources, as follows:

1. Recommend ways to strengthen the hand of the DCI in allocating intelligence resources, particularly by extending the present shared responsibility of the DCI with DOD for satellite intelligence programs to other DOD intelligence programs. (See pp 33-42, particularly the discussion of Option C)

2. Endorse the moves already made toward multi-year planning and budgeting by the Executive Branch and the Congress and encourage further moves in this direction (See pp 43-49)

3. Recommend that the DCI take steps to strengthen further the collection of economic intelligence without waiting for all of the issues regarding top management for economic policy within the Executive Branch to be settled. Such steps would focus on raising the priority accorded economic intelligence relative to military-political intelligence (a) in staffing top positions in the Community and Office of the DCI, (b) in preparing Congressional presentations, (c) in allocation of resources, and (d) through more centralization of collection activities

for economic intelligence in CIA. (See pp 50-57)

4. Endorse certain discussions and moves now taking place within the Community that point toward developing a national strategy for intelligence. An annual report presenting the options for such a strategy would replace the present annual Consolidated Budget for the Intelligence Community. (See pp 58-65, particularly Option C)

INTRODUCTION

This paper is concerned with issues in the management of foreign intelligence collection activities for purposes of supporting U.S. foreign policy, particularly those activities carried on by CIA, DOD and U.S. Embassies. There have been a number of significant changes and improvements in the management of the Intelligence Community in recent years, so that in preparing this paper it was necessary to rely primarily on interviews for background, not on published documents which are usually not up to date. The Community has a number of minor management problems which could have been identified in this paper, but it was considered more constructive to concentrate on a few major issues. If these important issues can be resolved most of the others will probably fall into place.

I have been asked to include in this report an annex presenting budgetary figures for the Community. These figures are now disclosed in detail to Congressional subcommittees of appropriations committees, but with the understanding that the figures would not be made "public." Thus, it was considered inappropriate to include them in this report.

I would also point out that certain activities for which we did not receive security clearance were considered

"off limits" for the Commission and its staff. These activities are of very significant size and are shown as separate line items in the DOD and Consolidated Community Budgets.

I have also been asked to consider "alternative roles for intelligence consumers in determining intelligence expenditures or consumer-agency funds for acquisition of special intelligence products". This proposal arises from the fact that for consumers within the U.S. Government, most finished intelligence is "free." To illustrate its importance, suppose an Assistant Secretary of State needed certain intelligence that could be obtained by very expensive satellite photography, or an inferior product could be obtained from overt sources. He might be unwilling to pay for the more expensive photography if the money to pay for it had to come out of his own budget. He would be satisfied with the inferior product.

The basic idea of making the intelligence consumer more cost conscious through requiring him to pay for the intelligence has merit. However, I have been unable to figure out practical ways to achieve such a result. For example, suppose certain finished intelligence were produced from raw data collected by NSA and from certain agents, and partially confirmed by overt sources. 200 persons were involved in its preparation. Dr. Kissinger was then briefed

for 30 minutes on this intelligence. How much should he pay for it? He did not know in advance what the intelligence included. He may already have known most of it through personal conversations with foreign diplomats. Or, if Dr. Kissinger received 10 telephone calls last week, each including some intelligence, would he have to pay some pro-rata amount for such information? How much? How would such payments affect the allocation of intelligence resources?

Suppose NSA has tried very hard for 5 years to crack the top codes of 3 countries, but with no success so far. However, if such codes could be broken the results would probably be dramatic and 5 U.S. Departments would be very much affected. Should these 5 departments share the cost of this part of the NSA operation even though no finished intelligence was produced? If the amounts each agreed to pay did not cover the total cost of the NSA operation, would it be terminated?

How far would you go with the above idea? Would CIA have to pay for all Embassy cables? Would AID have to pay for all foreign agricultural reports of the Department of Agriculture? Imagine just the paperwork involved.

Suppose the State Department was unwilling to pay for satellite photography. Would that mean that State would not

be permitted to see any of the results of this photography in the future?

If the payments by consumers were restricted to intelligence consumers within the Department or Agency now producing the intelligence, at least some of the problems mentioned above would be avoided. However, the intelligence collected by DOD, for example, now includes a lot of economic intelligence of use only to other Departments and Agencies. Who within DOD would pay for it? The satellite photography is of vital importance to the Secretary of Defense and the Joint Chiefs of Staff. Does it make sense to give the Air Force the choice of spending a given amount of money on the satellite program or on other Air Force activities? If the Army refuses to pay for satellite photography, does this mean the Army will not be permitted to see the results of this intelligence activity?

I do not think this whole idea will stand close examination, and have not discussed it in this report.

I. BACKGROUND

The following notes are presented as background information for a review of the issues and options presented in this report. It is assumed that the reader has some knowledge of the structure and operation of the Central Intelligence Agency (CIA), and the intelligence activities of the Department of Defense (DOD).

A. The Schlesinger Report

The intelligence situation was reviewed by the Schlesinger Study Group in 1971. It was found that there was virtually no policy level guidance to the Intelligence Community on substantive intelligence needs. It was also concluded that the review of the quality, scope and timeliness of the Intelligence Community product was neither systematic nor continuing. The President instructed Dr. Kissinger to set up the NSC Intelligence Committee to (a) provide guidance on national substantive intelligence needs, and (b) to provide continuing evaluation of intelligence products.

The NSC Intelligence Committee (NSCIC) was established in late 1971, and had one 30 minute meeting a month later. Over two and a half years elapsed before the next meeting

was held on August 25, 1974, for a little over an hour. The working group of the Committee met once in April 1973, and was reactivated after the August 23 meeting in anticipation of another Committee meeting which was held in October, 1974.

The President's instruction to provide policy level guidance on intelligence needs through the NSCIC was not met, but the DCI attempted to provide a substitute in the form of "KIQs" (key intelligence questions), which were developed by collectors and processors, not consumers at the policy level. The KIQs were sent to the various members of the NSCIC for guidance, and useful reactions were obtained, particularly from the DOD.

The President's request for continuing evaluation of intelligence products also has not been met. Several "crises" studies were conducted by the Intelligence Community. No formal evaluations have been completed, and there is no mechanism so far for continuing review. The past crises studies did provide some guidance in refining and strengthening the KIQs.

The President also requested Dr. Kissinger as Assistant to the President for National Security Affairs to establish a Net Assessment Group in the NSC staff for product review and production of net assessments. A small group was established but no net assessments were produced and the group was transferred to the Pentagon in the summer of 1973.

The Schlesinger Report in 1971 included an evaluation of the DCI. He was too absorbed in the day-to-day operations of the CIA. The involvement of his personal staff in the management of the Intelligence Community was minimal and generally ineffective. The management of the Community that did take place was limited largely to USIB and its many subcommittees that operated largely through consensus and a lot of log-rolling between agencies.

IC Staff

President Nixon directed the DCI in November 1971 to exercise positive leadership in planning, reviewing and evaluating intelligence programs; and to restructure and strengthen his personal staff to accomplish this. Since that time the DCI's personal staff -- the IC staff -- has been very substantially expanded and became much more involved in Community management and the provision of guidance for planning of programs.

The IC staff has introduced the KIQs program (key intelligence questions) as a guide for collection of intelligence. This program is revised annually. I have examined the latest edition of this program, and feel that it is too general. It is a start, but not sufficiently selective. It does not clearly define which collection resources should be used for answering the various questions.

The difficulties involved in compiling the KIQs are formidable. If you ask the intelligence processors and consumers what they need from the collectors they may ask for everything they can think of because it is "free." In theory some arrangement ought to be feasible for having the consumer pay for intelligence and thus restrict his demands to his priority needs. I have not been able to figure out a practical way to introduce this "user charge" principle into the intelligence collection process.

"Crises" studies have been carried out which include analyses of the adequacy of intelligence for a past crisis -- quality, gaps, etc. -- and thus obtain useful guidance for refining the KIQs. Members of the NSCIC were asked to review the KIQs, and useful comments were received, particularly from DOD.

It seems to me that the KIQs are one of those management tools that cannot be administered through the usual institutionalized "consensus" approach. The experienced collectors and processors of intelligence "know" which collection resources are really worth their cost and which are of little value. But, they are going to protect their own program and not "tell." It is suggested that this is a situation where the DCI can and has used the institutional approach as a starter, but now must rely on his IC staff to refine the KIQs on their own initiative to conform as

closely as possible to the realities of the situation, pending more guidance from the NSCIC.

In the November 1971 Presidential directive, the DCI was instructed to prepare and submit through OMB a consolidated intelligence program budget, including technical intelligence; and was also directed to "allocate all intelligence resources." That is really a rough assignment for an official who has only a presidential directive, whereas DOD, which has 85% of those resources, has a statutory base for allocating these same resources. This whole subject will be discussed later in this report.

IRAC

The Presidential directive included instructions to establish an Intelligence Resources Advisory Committee (IRAC) to advise on the consolidated budget and allocation of resources. The Committee has been established, meets regularly, and has active working groups. It is not in a lead role; and the DCI, who chairs the Committee, faces resistance from DOD in involving the IRAC in the CCP, GDIP, and tactical programs, i.e., all of the DOD intelligence programs other than the satellite programs, which are jointly managed by DOD and the DCI. Generally speaking, IRAC, concerned with collection resources, complements USIB, which is concerned with finished intelligence.

IRAC has been controversial. Its members have certainly benefited from it through gaining a much deeper understanding of the collection activities and problems of other members of the Community. The Committee has been helpful to the DCI in identifying some of the major collection resource issues. However, each member tends to be very defensive about his own organization's resources, so the Committee is not a good management tool to obtain a consensus on collection priorities, or on shifts of resources between agencies.

On-going Programs

If IRAC has serious shortcomings, just how will the DCI maintain effective surveillance over on-going programs? There is a natural tendency to concentrate on proposals for new projects. In preparing the annual budget, it is a great temptation to accept 80% to 90% of the budget items uncritically because they are about the same size as last year, or within budget guidelines for increases, and concentrate nearly all of the budget review on proposed new items. The end result is that a substantial part of the various programs of the U.S. Government may be continued for a number of years without critical review. 50% or more of today's product line of a well managed U.S. industrial company may not even have existed 5 years ago. We need an aggressive policy of keeping the "product line" of the U.S. Intelligence Community

up to date.

It is certainly reasonable to expect a heavy turnover of intelligence collection methods and kinds of material collected. There has been a technological revolution in collection techniques during the past 15 years that is still going on. The increased sophistication of local internal security and counterintelligence programs around the world is obviously affecting the collection techniques that will work in a given country. I have in mind such considerations as the growing difficulties in cracking codes and recruiting high level agents in many countries. Additionally, it is becoming much easier to collect much useful information overtly as developing countries build highways, remove travel restrictions, introduce greatly improved national statistical systems, expand their technical publications, etc. Last but not least, U.S. intelligence needs for supporting U.S. foreign policy change over time. For example, there is a growing need for economic intelligence, part of which can be obtained by more thorough exploitation of information in domestic agencies right here in Washington.

One way to force a review of the "base" -- of the on-going programs -- is to maintain a very tight budget, or even to cut the budget, as has happened in the Intelligence Community during the past few years. Experience shows, however, that too often a tight budget results in a delay

in introducing improvements rather than drastic cuts in low priority items. Or, management may take the easy way out and introduce a horizontal cut. A somewhat more sophisticated approach is to introduce performance budgeting that helps to identify activities that are not measuring up. In any event it seems clear that a tight or reduced budget by itself does not guarantee a careful review of on-going projects.

The sharply reduced budget of the Intelligence Community in recent years has undoubtedly forced the elimination of a lot of over staffing in some on-going programs and a much harder look at some on-going and proposed new technical collection programs that were formerly examined almost wholly from the standpoint of technical feasibility. We need more sophisticated approaches, however, for continuing future reviews of on-going programs by DCI.

The comparatively new IRAC plus the IC staff should be able to identify those on-going collection programs that are not working well or are obsolete. For example, I understand that a review of scientific journals from around the world is proving to be more rewarding than scientific espionage activities. It is well known that espionage activities in general are becoming less and less effective in many countries. And so on. There was not time during this study to investigate how much of a "lag" may exist in weeding out collection activities that have outlived their usefulness. I am concerned

that the DCI's hand may be too weak to force the termination of low-priority collection programs on a timely basis, and note, for example, that the DCI apparently must use military officers on active duty to head up the IC staff so that this staff is acceptable to DOD.

Another aspect of updating on-going programs is the need to insure that when new techniques are accepted, old techniques that they replace would be dropped. The IRAC is in a good position to propose such action, particularly because high level research officials of DOD have been tapped for IRAC meetings. Also, the DCI has the IC staff and the Office of Research and Development of CIA available for such purposes. It is suggested that we need a tougher policy providing that termination of old techniques is a condition for using new techniques after the latter have been thoroughly field tested.

The really tough part of the review of on-going collection programs involves the impact of changing U.S. foreign policy on collection requirements. This leads us back to the lack of policy level guidance on substantive intelligence needs discussed earlier in this paper.

In summary, the DCI has been handicapped in keeping a tight rein on on-going collection programs of the Community because of his lack of authority, certain fundamental weaknesses of IRAC for such purposes, an IC staff dominated by

military officers (and only one FSO), and an inactive NSCIC. This matter will be discussed further in connection with program guidance by the DCI for the consolidated intelligence budget.

Department of Defense

The Schlesinger Study of 1971 concluded that the Secretary of Defense, with the bulk of intelligence resources, exercised no strong leadership within DOD, staff support was diffused, and programs were not well coordinated. The President's November 1971 directive provided for (1) a broadening of the DCI's responsibilities to include tactical intelligence (some of the IC staff prefer to call such intelligence "military forces support"), (2) the establishment of National Cryptological Command for SIGINT, (3) the establishment of a single Office of Defense Investigations, and (4) the establishment of a Defense Map Agency.

The Presidential instruction to include tactical intelligence in the coordination responsibilities of the DCI has been implemented. For years there had been a recognition that the historic distinction between "tactical" intelligence and national intelligence would not stand close scrutiny. For example, the sighting of a submarine may be initially classified as tactical intelligence but a day or two later it will also become national intelligence. This broadening of the DCI's collection coordination responsibilities is a significant improvement.

The Presidential instruction to establish a unified National Cryptological Command, under the Director of the National Security Administration, for SIGINT (signals intelligence), has not been fully implemented. This move was opposed by the OSD staff, the JCS, and CIA, so very little was done about it. It might be added that the Consolidated Cryptological Program (CCP), operated by the director of NSA, appears to be more controversial than the other DOD intelligence programs. The collection activities in the field, called the Central Security Service, have been cut back sharply as part of the intelligence budget cuts in recent years. The intercept stations overseas have been heavy users of expensive manpower, but are now being more fully automated.

The Presidential instruction to establish a single Office of Defense Investigations out of the investigative agencies of the three military services has been implemented. The investigators are concerned with counterintelligence work and security checks on DOD personnel.

Action has also been taken to implement the President's directive of November 1971 to merge the mapping agencies of the three military services into one Defense Mapping Agency. These mappers make important use of satellite photographs and have mapped the entire globe.

In 1972 another step was taken that holds much promise, namely the establishment of the Office of Assistant Secretary

of Defense for Intelligence. Its impact has been less than had been expected, but over time it should make an important contribution, particularly in terms of coordinating collection resources.

The largest intelligence program is the satellite or reconnaissance program. Its output is widely regarded as the most valuable in the Intelligence Community, and it has enjoyed top priority for available intelligence funds. This program is jointly supervised by a 2-man committee composed of the Assistant Secretary for Intelligence and the DCI. Both DOD and the DCI spend large sums for research on this program.

Over the years, the introduction of technical intelligence collection methods by DOD (and to a lesser extent by CIA) has led to the necessity of obtaining rights to install technical collection equipment such as CCP intercept stations in other countries. Some form of "bribery" such as military and economic assistance programs of unusual size or duration are usually involved. Thus, the true cost of technical intelligence programs may be substantially higher than indicated by their budgets. It is proposed that the DCI seek policy guidance from the NSCIC on the whole matter, and then conduct a joint study with DOD of the true cost of technical intelligence equipment and staff located overseas to determine if we are not paying too high a price for their use in some countries. It is recognized that

the analysis will be complicated in some countries by the presence also of military base rights.

B. Consolidated Intelligence Community Budget

As a result of the President's November 1971 directive, the DCI has pulled together Consolidated Community Budgets for two years, and is now working on the third one. This Consolidated Budget is prepared with the help of the IRAC, sent to the President through the OMB, and defended before the Congressional Subcommittees on intelligence matters. (I am advised that there has never been a leak of information from these Congressional Subcommittees.) The budgets of some of the Intelligence Community members were reduced sharply over a 3 year period, and the Consolidated Budget is now being held at approximately a stable total dollar amount which is not expected to increase significantly during the next several years. This fiscal policy is forcing further decreases in numbers of personnel and procurement of hardware because of inflation.

Since there can only be one President's budget, the figures in the Consolidated Community Budget must agree exactly with the figures in the individual budgets of Community members. Thus, the preparation of the individual budgets and the consolidated budget must be very closely coordinated. The first year there was not much time

for the DCI to prepare the Consolidated Community Budget, and it consisted largely of a summary statistical compilation of the various member budgets plus some thoughtful discussions of considerations involved in such an exercise. The second year the DCI had more time to prepare the Consolidated Budget, and made a start toward influencing the budget substantively, but the DCI's impact was not very great. Both the OMB and DCI felt that the timing of the DOD budget cycle was such that there was almost no time to consider any major issues that might be raised through the Consolidated Budget process.

Although the DCI may have had less impact than was hoped for in the size and contents of the Consolidated Budget, it is understood that the Congressional Subcommittees of the appropriation committees reviewing this Budget found it very helpful in getting a better perspective on the activities of the whole Community, and were pleased with the presentations by the DCI. Attention is now focused on next year's budget preparation.

The problems faced by the DCI in preparing a consolidated budget include the following:

- a. IRAC may flush up budgetary problems but it is not a suitable committee in which to obtain a consensus on collection priorities or on shifts of resources between agencies, because each member feels defensive about his own budget.

b. The DOD has legislative authority to prepare its budget, but the DCI has only a Presidential directive to prepare the consolidated budget including the intelligence categories of the DOD budget. In a showdown the DOD would probably win.

c. If the DCI has difficulty in prevailing on a substantive issue in the DOD's intelligence budget, such issues could be taken to the NSCIC for decision, but that committee has not been meeting regularly. However, the DCI has the option of sending recommendations to the President with the Consolidated Budget.

d. It is not clear whether the DCI should be concerned only about substantive issues, or also play an active role in determining fiscal policy controlling the preparation of the consolidated budget. The DOD budget has fiscal guidelines which were worked out with the Military Division of OMB which presumably cover all of that budget. The International Affairs Division of OMB is responsible for intelligence programs of the Community. The working relationship between the two divisions of OMB, the DCI, and the Controller in DOD are understandably complex and unique and still appear to leave something to be desired.

e. It was probably assumed when the DCI was asked to prepare a Consolidated Intelligence Budget that it would be sent to the OMB in the Fall at the same time OMB received the individual budget submission from the members of the Intelligence Community. Thus, the OMB could review the intelligence categories in the members' budgets and the DCI's proposals in the latter's Consolidated Budget at the same time. Unfortunately, the DOD budget submission is on a different time schedule. Many years ago the Military Division of OMB adopted the unorthodox procedure of holding joint hearings with the Controller's office of DOD on the DOD budget, lasting into December each year. Thus, the usual time interval between the submission of a departmental or agency budget to the OMB and the completion of the Presidential budget in late December does not exist, so the DCI has to sit in on the regular budget hearings in order to get his views presented to OMB in time to be considered.

f. Ideally, the DCI would work out substantive program guidelines early in the budget cycle for the guidance of those preparing the various individual budgets included in the consolidated Intelligence Community. At this time it is doubtful if the IC staff has a sufficiently detailed knowledge of all of the intelligence programs in DOD to prepare

comprehensive guidelines. Concentration on a few priority issues is one answer.

Experience to date suggests the need to take a hard look at the President's directive of November 1971 regarding a Consolidated Intelligence Budget. The Secretary of Defense, for example, has statutory responsibilities for keeping a close watch on military capabilities and actions around the world. It is difficult to see how you can build a fence around his intelligence activities and assign authority to the DCI to "allocate all intelligence resources" without in effect assigning responsibility to the Secretary of Defense for activities over which he does not have authority.

On the other hand, it is suggested that the basic idea behind the President's November 1971 directive providing for the DCI to send a consolidated budget to him through the OMB with his recommendations is basically sound. The DCI is in much the best position to take a broad look at where the Community has been and where it ought to go, and recommend to the President the key actions that should be taken and incorporated into the consolidated budget. The DCI cannot achieve such an objective, however, by making suggestions in joint OMB/DOD budget hearings in the Pentagon where he has little more than an observer status (except for the satellite programs).

It has been suggested that the answer lies in the direction of giving the DCI statutory authority over the Consolidated Intelligence Budget. I think this would be

a mistake, not only because of the position in which it would leave the Secretary of Defense, with his responsibility for activities over which he did not have authority; but also because of the risks involved in exposing the DCI's and CIA's basic authorities to amendment in the Congress. Intelligence activities are unusually controversial at this time, and some very undesirable amendments might be initiated and approved by the Congress.

A more promising approach would appear to be as follows. The DCI would not get involved in budget details. He would not be concerned with "whether they should buy 9 or 12 airplanes, but whether there should be any airplanes in the budget." He would select perhaps not more than six very major issues in the DOD intelligence programs. Careful studies of these issues would be made by the IC staff, including discussion in IRAC. The DCI's recommendations on these six items would be sent to the President for approval via the NSCIC (or perhaps the CIEP where appropriate), fairly early in the budget cycle. Decisions by the President would be forwarded not later than perhaps 1 August by the DCI to DOD for incorporation in its intelligence budget.

In addition to the Presidentially approved decisions, the DCI would also forward to the DOD at about the same time a list of important programs or projects that should be sharply reduced or eliminated. Such a listing would not only

help promote a more intensive look at on-going programs during the joint OMB/DOD review but would help to blunt an effort to get the intelligence budget total raised if the Presidential decisions proposed above involved a net increase in expenditures.

DCI representatives should still attend OMB/DOD joint budget reviews, but largely for purposes of background information.

Looking to the future, the staff of the DCI is well aware of the shortcomings of the management information systems of the Intelligence Community which are addressed primarily to accounting and fiscal criteria. These systems are not designed to relate resources allocations to substantive tasks and information, i.e. they are not a good management tool today to measure the effectiveness with which revenues meet requirements. There is a need for a better system for tying the budget and program review together.

C. Economic Intelligence

The CIA and most of the rest of the Intelligence Community were designed and staffed for the Cold War period of the 1950s. Since then we have entered a period of detente and lessened tensions overseas. Today we need an Intelligence Community capable of meeting not only the continuing requirement for secret intelligence in the interests of national

security, but also the overriding challenges of providing solid intelligence on world-wide inflation, food shortages, energy crises, narcotics control, and so on. Can this challenge be met as additional tasks by the Community? Or does the situation call for a more fundamental reorientation?

This issue is important not just in terms of helping our President to meet his priority concerns. It is also important in terms of continuing Congressional and public support of CIA. Political action programs to fight Communism no longer have unqualified support. Support of military actions seems to be at an all time low. If, however, the CIA could clearly identify itself as one of those working toward solutions to our domestic and world-wide economic problems, its image might be significantly improved.

Let us consider the environment within which the Director of Intelligence (DCI) works today. The basic authority for the DCI and CIA still is found in the National Security Act and a related piece of legislation, enacted in the late 1940s and concerned with the Cold War. The personal staff of the DCI for coordinating the Intelligence Community, known as the IC staff, is directed by military officers on active duty. About 85% of the Community Budget is for the Department of Defense. Policy guidance is supposed to be supplied by the NSC Intelligence Committee chaired by an

Assistant to the President who in the past has shown little interest in the field of economics, plus the Undersecretary of State, the Deputy Secretary of Defense, and the Chairman of the Joint Chiefs of Staff. (A representative of the Treasury Department has recently been added.) The CIA chiefs of station overseas are preoccupied with such responsibilities as recruiting agents, and it is reported that few of them have any capabilities or interest in the field of economic intelligence. This does not appear to be an ideal environment for grappling with many, perhaps most, of the crucial intelligence needs of the next decade.

It is true that CIA has the best group of economic intelligence analysts in Washington, a subcommittee of USIB is concerned with economic intelligence, and one of the 11 National Intelligence Officers (NIOs) is concerned with economic matters.

However, until the past few years economic intelligence was largely focused on Russia and China, and was often collected for purposes of estimating the war making potential of a given country, not for support of programs to cure the economic ills of the U.S. and elsewhere.

More recently there have been some very significant developments in the management of U.S. economic policy, both foreign and domestic, which took place outside the well known "Nixon-Kissinger orbit." At the top was the Committee on

Economic Policy, run by senior officials in the White House and the Treasury Department. In addition, several "problem-oriented" committees were established to grapple with such matters as trade, monetary policy, and oil. CIA officials concerned with intelligence on such matters quickly established working relationships with these committees and have been very responsive to their needs for economic intelligence on a world-wide basis. Relationships have been very flexible up to this time with commendable initiative being shown on both consumers and producers of intelligence. A very high percentage of the intelligence provided these committees has been based on specific requests, such as for international negotiations. In some cases this flow of intelligence has been facilitated by "brokers" attached to committees who are knowledgeable about both intelligence production and intelligence needs.

Four Treasury officials, either on loan from or with backgrounds in the Intelligence Community, brief the Secretary of the Treasury and his Deputy on current intelligence early each morning, and then brief the Secretaries and other high officials of domestic departments such as Commerce and Agriculture later each morning. These briefings are done with the full knowledge and support of the DCI. It might be added that during the past 2 years, collection agencies have had their priority requirements

extended beyond the military area to cover world-wide economic intelligence, through the KIQA (key intelligence questions), introduced by the DCI and updated annually; and CIA has recently produced excellent weekly summaries on such topics as trade and energy.

The various ramifications of the world's economic ills are still being sorted out, and Mr. Rush's departure has left the top guidance for our economic policy making temporarily in a fluid state. It seems clear, however, that much progress has been made at high levels in coming to grips with our world-wide economic problems, and that economic intelligence is not an important limiting factor at this time.

Looking to the future, there appear to be several issues that will have to be resolved. Should these problem-oriented committees dealing with world-wide economic problems eventually be drawn into the NSC orbit? Or should CIA's present orientation to the NSC be broadened to encompass a separate complex of high level economic committees as major consumers? Shall the KIQA be screened by these new committees? Should the NSCIC's mandate to provide policy level substantive intelligence requirements guidance be shared with the CEP (Council on Economic Policy)? If the old Board of Requirements is revived, should it be attached to the NSCIC or the CEP? Should the DCI present the Consolidated Intelligence Budget not only to the Armed Services

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-II. PRINCIPAL ISSUES

The review of intelligence resources management indicates that there are a number of major issues on which the Commission on the Organization of the Government for the Conduct of Foreign Policy could make an important contribution. All of these issues are well known to senior members of the Intelligence Community, and most of them are under active discussion. In this paper an attempt is made to identify these issues and present several options for consideration.

The first issue is concerned with Presidential directives to impose the DCI between the Department of Defense and the President with respect to the programming and budgeting of intelligence resources. Such a move was first attempted back in 1961. It did not work. A second attempt was made in 1971 through President Nixon's directive (reaffirmed by President Ford in October 1974) implementing the recommendations of the Schlesinger study. Although there was considerable enthusiasm for this DCI "leadership" role in allocating intelligence resources during 1972 and 1973, today there is much disillusionment among key officials, and the time is ripe to consider the options.

The second issue is concerned with the future cost implications of budget decisions involving intelligence

resources. This issue raises questions about multi-year budgets, five year plans, etc. Options on this issue are under current discussion in the Executive Branch and some actions have been taken. The Congressional budget reform legislation included provisions bearing directly on this issue.

The third issue is concerned with the rather disorganized ad hoc situation prevailing today with respect to economic intelligence. Although the major problems involve top management of economic policy and the dispersal around Washington of economic intelligence analysts, there is also an economic intelligence resource aspect worth discussing.

The fourth issue is concerned with what action should be taken to provide a better substantive frame of reference for the operation of the intelligence community. More specifically, should there be a more conscious national strategy for the allocation and use of intelligence resources? How will such a strategy be developed?

III. ROLE OF DCI VIS-A-VIS THE DOD

Issue #1: What steps should be taken to strengthen the hand of the DCI in fulfilling his responsibilities regarding the allocation of intelligence resources?

Option A. The DCI would support a policy of collecting all of the raw intelligence that was technically feasible with a minimum of budgetary restraints; and would restrict his budgetary activities largely to (1) providing a forum (IRAC) for acquainting each member of the Intelligence Community with the others' programming and budgetary activities and problems, (2) obtaining a consensus when possible on issues brought before IRAC, and (3) preparing a compilation of various members' annual budgets for Congressional presentation.

For:

1. It is rather naive to think that the DCI could have much direct impact on the DOD budget when (a) the DOD budget includes 4/5 of the funds for foreign intelligence activities; (b) the Secretary of Defense has statutory authority for programming and budgeting intelligence activities, whereas the DCI has only a Presidential directive; (c) the strong intelligence policy guidance and support from

Dr. Kissinger and his NSCIC (National Security Council Intelligence Committee) as contemplated in the Presidential Directive of November 1971, has not materialized; and (d) above all, it has always been true that only the OMB (Office of Management and Budget) stands between the President and Departments and Agencies on budgetary matters.

2. Experience has shown the IRAC (Intelligence Resources Advisory Committee) does have real value for educational purposes, acquainting each member with each other's budgetary and programming problems, airing opposing points of view on various issues, and seeking a consensus where possible.

3. It makes sense to adopt a policy guideline of technical feasibility, with a minimum of fiscal and programming restraints, rather than rely on consumer requests in programming collection activities. It is not realistic to wait for users of intelligence to tell collectors what they need. Sometimes procurement and operational lead times of as much as 2 years or more are necessary for collecting certain kinds of intelligence. Furthermore, in this highly volatile world situation it is just not feasible to set detailed priorities for intelligence collection needs.

4. Collectors are in a much better position than consumers to assess trends in collection needs, and to make highly technical choices of alternative means for collecting raw intelligence.

Against:

1. Officials favoring this Option (and there are many) are saying in effect, "Just give us the money we need and leave us alone; we are the experts; we know best." The U.S. Government went through an extended period when there was comparatively little in the way of budget restraints or policy guidance, and the result was not only an overextended Intelligence Community but also a number of intelligence activities with excessive funding. The record clearly shows that an option similar to Option A leads to too many wasteful practices to be acceptable.

2. More specifically, periods in the past, with conditions approximating those in Option A appeared to lead to (a) excessive preoccupation with technical innovations and technical challenges for collecting raw intelligence almost without regard to cost/benefit consideration, (b) the accumulation of a large amount of "fat" in intelligence expenditures, and (c) an environment which discouraged the DCI from exercising strong leadership in achieving

coordinated and efficient operations within the Community.

3. The sharp cuts in intelligence budgets during the past few years, initiated largely by the OMB, do not seem to have resulted in significant shortages of raw intelligence, a clear indication that wasteful practices had been in effect.

4. IRAC, established by the Presidential Directive of November 1971, has been of value as noted above, but each member tends to be very defensive about his own organization's resources, so this Committee is not a good management tool for obtaining a consensus on collection priorities.

Option B: The DCI would make every effort to carry out the Presidential Directive of November 1971 to "allocate all intelligence resources" through making maximum use of IRAC, building up his IC staff, and preparing each year a Consolidated Intelligence Community Budget with his recommendations, for review by the President.

For:

1. In a situation where the needs for foreign intelligence have expanded to many parts of the U.S. Government for an ever-widening number of purposes and the collection resources are concentrated in DOD, and to a lesser extent in CIA; it stands to

reason that there must be some neutral central point such as the DCI responsible for allocating these resources in an objective and fair manner. Stated more bluntly, just because over 4/5 of the money is in the DOD budget, the allocation of collection resources should not necessarily be dominated by military-political requirements.

2. Although on the surface the problems faced by the DCI in injecting himself into the DOD budget process appear to be most formidable, in practice it is difficult to recall any major issue on which the DCI and the Secretary of Defense did not reach agreement. So long as there is a will to cooperate among the top officials, administrative difficulties tend to disappear.

3. If the DCI submits his proposed Consolidated Intelligence Community Budget to the President with his recommendations several months in advance of the deadline for completing the President's Budget (end of December of each year), then there will be time to give proper consideration to the DCI's recommendations, and through a channel that does not involve the DCI in a direct confrontation with DOD on a major issue.

Against:

1. Although it may appear on the surface that the DCI is making real progress in asserting his authority over the allocation of collection resources, indicating that Option B is feasible, in fact this Option is not working. The DCI has not reached agreement with the Secretary of Defense on many major issues as they arose because the DCI has not been in a position to raise the tough questions and take a firm stand. The well known weaknesses of IRAC as a channel for allocating resources were mentioned above. The IC staff, which is the DCI's principal staff resource to turn up the tough questions, is dominated at the top by military officers on active duty. One of them told me in so many words that "if the IC staff was not run by a military officer it would not be acceptable to DOD." Finally, the DCI has been waiting for the members of the Community to complete their budgets before he prepared the Consolidated Community Budget. The Consolidated Budget thus arrives at OMB at the end of the budget season when it is too late to consider major revisions. In effect, the DCI is only second guessing members' budgets, not exercising leadership in presenting in

advance his views on what should be in the members' budgets.

2. In setting forth the above observations, I wish to emphasize that I have great sympathy for the position in which the DCI finds himself. I think we must find better ways to take advantage of the great potential value of his office.

3. However, it is difficult to find any escape from the dilemma that the Secretary of Defense has a fundamental responsibility to keep a constant watch on military and potentially explosive political developments around the world, and if you attempt to transfer at least some aspects of his authority over such surveillance activities to the DCI, you are putting the Secretary of Defense in the untenable position of being held responsible for activities over which he does not have full authority.

Option C: The management of all of the technical intelligence collection programs financed by the DOD budget would become a shared responsibility, just as the satellite program is today with its Executive Committee composed of a representative from DOD, and the DCI; and the DCI, in carrying out his leadership role in allocating intelligence

resources, would not "scatter his shots" but would concentrate each year on perhaps not more than six major issues, studying them in depth, including an analysis of their cost implications for future years.

For:

1. The joint management of the satellite program is reported to be working very well and appears to avoid at least most of the difficulties encountered by the DCI in his efforts to influence the program and budgets for the rest of the DOD intelligence activities. It is recognized that the predecessor of the satellite program (the U-2 program) was started by CIA, so that the administrative and jurisdictional problems involved in extending this joint management approach to other DOD activities would probably be more difficult than those encountered in establishing joint management for the satellite program.

2. By concentrating on a few major issues, presenting the options to the President for decision, and forwarding the decisions to the DOD several months before the end of the budget cycle, the timing problems faced by the DCI in influencing the present DOD budget process are reduced, and the issue of the DCI getting between the President and the DOD does not have to arise.

Against:

1. If the DCI jointly manages all of the very expensive technical collection programs, he may lose some of his objectivity in allocating resources, in enforcing the principle of using only clandestine sources when overt sources are not available, and so on. In other words, he may tend to get a vested interest in these technical collection programs.

2. If the DCI concentrates on studies of a few major issues, and decisions on these issues involve a net increase in expenditures, the DOD may thereby have a lever with which to insist on an increase in the planned total expenditures for the year in question.

Discussion: It seems pretty clear that the DCI will be unable to exercise the kind of positive leadership envisioned by the Office of the President unless the joint management role he now has for the satellite program is extended to the other technical collection organizations in DOD. This may appear to be a rather drastic measure, but the alternatives have been tried over the years with very disappointing results.

I have found considerable support in the DCI's office and in the OMB for the proposal that the DCI should focus

on studies of a few major issues each year. These studies should include analyses of the future cost implications of the various options.

IV. MULTI-YEAR PROGRAMMING AND BUDGETING

Issue #2: What steps should the DCI take in order to insure that adequate recognition is taken of the future cost implications of budget decisions?

Option A. Adopt a 2-year budget for intelligence programs.

For:

1. With today's intelligence budgets so dominated by long lead items, it makes sense to prepare budgets for a 2-year period in order to reflect more fully the future costs of budget decisions.

2. Intelligence resources program administrators can proceed in a more orderly, positive way if they know what they can count on for the next 2 years, rather than just one year.

3. The disclosure of future expenditure implications of proposed major budget decisions is often the most effective way to keep future budgets within prescribed limits. A 2-year budget will disclose a substantial part of such future expenditures.

4. If the future cost implications of budget decisions are not carefully analyzed, the inevitable result will be that over the years a rapidly increasing

part of the annual budget will be composed of mandatory expenditures based on past budget decisions. Thus there will be less and less flexibility in the budget to take care of high priority new programs, emergency developments, etc. unless sharp increases are permitted in total expenditures.

5. Budget officials in OMB and the office of the DCI are very much interested in the idea of the 2-year budget.

Against:

1. A 2-year budget would have to be prepared each year.

2. Important budget decisions usually have cost implications extending far beyond two years.

Option B. The DCI would prepare a projection of collection requirements for the next five years, up-dating it annually; and calculate the budgetary implications for the next five years of major budget decisions currently under consideration.

For:

1. The DCI has already made a start toward this Option B by preparing a projection of intelligence needs for the next five years, to be up-dated annually.

2. The Congress already requires the preparation of budgets for the next five years showing the changes in the President's budget for each year if no new programs

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are introduced. Such a calculation is one way of showing the future cost implications of budget decisions included in next years budget.

3. An annual budget can be quite misleading if the future budgetary implications of its long lead time items are not properly analyzed. For example, approval of a new \$50,000 training program and \$100,000 for the site of a new technical collection device, might in effect be committing the DOD or CIA to a \$50,000,000 expenditure during the next three years. Because of the "technological revolution" in the intelligence collection field during the past two decades, such considerations have become increasingly important.

Against:

1. The five year "perspective" of intelligence needs issued by the DCI is so all inclusive that it is not a good guide to high priority future needs or a restraint on low priority items. On the contrary, it is difficult to think of anything excluded from the list. Thus this five year perspective tends to place a stamp of approval for the next five years on anything the Community wants to collect.

2. The five year projection of the current budget is of limited value because it does not include anticipated budget decisions during the intervening period.

Option C. The DCI would prepare an Intelligence Community Plan for the next five years for major categories of items with long lead time; up date it annually; secure approval of the plan for higher authority; and assume responsibility for insuring that the current annual budget proposals are consistent with the approved 5-year plan.

For:

1. This five year projection of budget decisions would include not just the budget decisions proposed in the current budget, but anticipated budget decisions for the intervening years.

2. This five year plan would not include those activities of an administrative nature which do not have any long lead time aspects and would remain about the same during the 5-year period (e.g. the controller's office).

3. Instead of relying primarily on analyses of a few major ad hoc decisions each year to keep the budget on the track, it would be much better to look ahead a few years, anticipate changes in the

priority intelligence needs, and put together a mid-term plan that would anticipate the priority raw intelligence needs, include necessary budget decisions for the entire period and would be in line with anticipated limits on future annual budgets. This plan would be approved by higher authority, and the DCI would insure that it is used as an approved guide in preparing annual (or 2-year) budgets.

4. The preparation of this 5-year plan would provide an opportunity not only to take a look at proposed new projects for collecting intelligence, but also to identify those on-going projects that have outlived their usefulness. It is very difficult to get attention focused on low priority on-going programs during the annual budget process if increased funding is not requested, attention usually being focused almost entirely on proposed new programs and above-average increases in on-going activities. It is probably much easier to get agreement to eliminate unproductive activities or duplications from a mid-term plan by arguing that "you surely are not going to continue those programs for the next five years."

5. Longer term plans are already being prepared for some intelligence programs.

Against:

1. The DOD already has a classified 5-year plan for its entire DOD budget (including intelligence) which is presented each year. Last year the DCI was officially permitted to see it for the first time. How would a Community-wide 5-year plan be reconciled with the DOD plan? Is there any practical way other than to extend the joint DOD-DCI management plan for the satellite program to other DOD technical collection programs (Option C of Issue #1 above)?

2. Unless the authority of this 5-year plan is very clearly spelled out, it will tend to be ignored during the rough and tumble of the annual budget hearings.

3. The existence of an official 5-year plan raises important security problems. The plan would have to be highly classified and very closely held.

Discussion: Steps are already being taken in the direction of 5-year plans and serious consideration is being given in some quarters to a 2-year budget instead of an annual budget. Congress appears to favor moving in these directions, as indicated by some of the provisions of

the recent Congressional budget reform legislation. It is suggested that moves in these directions are desirable, and that the Commission should give serious consideration to giving its blessing to these trends.

V. GROWING IMPORTANCE OF ECONOMIC INTELLIGENCE

Issue #3. What steps should the DCI take to help overcome the rather ad hoc, disorganized way economic intelligence is being collected and processed today?

Option A. Continue the present arrangements, CIA responding promptly to whatever requests it receives for economic intelligence from different parts of the U.S. Government, with the KIQA (Key Intelligence Questions) including economic intelligence requirements from whatever source.

For:

1. Informed officials indicate that the economic intelligence requirements of the U.S. Government are being met today in spite of rather loose organizational arrangements, and that relationships between CIA and consumers of such intelligence are excellent.

2. Until the "top management" arrangements of the U.S. Government for foreign and domestic economic policy matters are firmly established; and until the probable long-run pattern of economic committees for various major problem areas (food, trade, oil, etc.), and the assignment

of economic responsibilities among different departments become clearer; it is not feasible to move toward more permanent, institutionalized arrangements for collecting and processing economic intelligence.

3. Since CIA is prohibited from engaging in intelligence activities within the United States, there appear to be limits on what leadership the DCI can exercise with reference to the many overt sources of economic intelligence in the Executive Branch.

4. Domestic and foreign economic matters are so important at this time, that we can afford to have rather loose arrangements with considerable duplication of effort to encourage lots of initiative and fresh thinking and to provide the President with alternative sources of information for policy guidance during this crucial period.

Against:

1. There is so much at stake, that the collection and processing of economic intelligence should be thoroughly professionalized. Loose arrangements are bound to result in an unacceptable amount of erroneous or misleading economic information floating around Washington, and a lot of "shooting from the hip."

2. More specifically, there is concern in some quarters that all processing of economic intelligence is not carried out "under one roof." Those favoring such an arrangement point out that CIA is recognized as having by far the largest and most experienced group of professionals in Washington for analyzing economic intelligence, but unless a firm decision is made soon there will be a rapidly growing duplication of effort in several Departments in the near future.

3. Most of the U.S. intelligence resources and most top officials of the Community are oriented toward military-political intelligence collecting, and there are plans on the drawing board for a lot more investment in resources primarily oriented for such purposes. Even a superficial look at (a) the small percent of the total intelligence budget earmarked for economic intelligence, (b) the few senior officials of the Community whose primary interest is in economic intelligence, and (c) the presentation of nearly all of the Community Budget only to the Armed Services Committees, suggests that a fresh look at the allocation of intelligence resources is in order, and need not wait for a firming up of the organization of the U.S.

Government in the economic field. A point to remember: most military intelligence collected today is for possible future use; but most economic intelligence collected today is used every day for guidance on matters vitally important now.

Option B. Strengthen the DCI's control of economic intelligence collection through (1) more centralization of economic intelligence analysis in CIA; (2) restriction largely to CIA of economic intelligence collection from multinational corporations, on a classified basis; (3) assignment of CIA station chiefs as principal advisors to U.S. Ambassadors on all collection activities performed by persons attached to U.S. Embassies including economic intelligence; (4) extension of DCI regular budget briefings to other than the Armed Services Committees of the Congress; and (5) creation of a better balance between military-political oriented and economic oriented senior officials in IRAC and the DCI's IC staff.

For:

1. For at least most economic intelligence, CIA is in a much better position than anyone else to fit the pieces together and make sophisticated analyses. CIA has the necessary experience, the access to many kinds of highly classified technical

programs that collect economic as well as military-political raw intelligence, the extended relationships with corporations for collecting other kinds of intelligence, and the adequate research resources for developing techniques for extracting economic intelligence from satellite photography, etc.

2. Multi-national corporations are reluctant to divulge economic information about their companies that might reach their competitors. CIA is in the best position to gain access to such confidential information and protect its sources.

3. The DCI has plans to "rate" the performance of Embassies in intelligence collection, and many Embassies will need help in improving their effectiveness in collection activities, much of which is concerned with other than military or political matters. The CIA station chiefs could be very helpful to the Ambassador in advising on improved collection methods, focusing more on priority collection needs, limiting clandestine collection only to information not obtainable overtly, etc. Most station chiefs know very little about economics, but their advisory role would be concerned primarily with organization, procedures, and collection

techniques, not substance. Future training programs for CIA station chiefs should cover this advisory role.

4. In seeking a better balance between military-political and economic collection resources, it might help for the DCI to offer to brief economic-oriented Congressional committees as well as the Armed Services Committees on the intelligence budget each year.

5. In view of the overriding concern of the Intelligence Community with military-political intelligence during most of the past two decades, it is to be expected that IRAC and the IC staff would be staffed primarily by officials with experience and a primary interest in such intelligence. It is my observation that the comparatively great increase in the importance of economic intelligence in recent years has not been accompanied by an appropriate increase in economic-intelligence-oriented officials at senior levels in IRAC and the IC staff.

Against:

1. There is a danger of over-organizing for economic intelligence collection, and

particularly of spending too much money trying to adapt the very expensive techniques for collecting military-political intelligence to collecting economic intelligence. For example, there is much excitement about the use of satellite photography as a source of agricultural intelligence. During the past ten or fifteen years there has been a tremendous improvement in the domestic statistical programs of developing countries. U.S. agricultural attaches and AID agricultural technicians have learned a lot about interpreting these figures. In practice, of how much value will satellite photography be as a supplement to what we already know? The cost of this photography would pay the salaries of whole army of agricultural attaches. Or is the satellite photography interesting because the users look upon it as "free," i.e. costing them nothing?

2. With reference to using CIA station chiefs as advisors to U.S. Ambassadors, they are trained to recruit agents and seek military-political information. Very few of them have any interest in or knowledge of economic intelligence. At least for the near future it might be better to think in terms of CIA regional advisors who would specialize in organizational and administrative problems of

Embassies in collecting information. These advisors would visit Embassies in their area on a regular schedule, and would assist in laying out collection programs and improving collection techniques -- overt as well as covert.

3. There is a danger in linking multi-national corporations too closely with CIA.

Discussion: It seems clear that there are further steps the DCI could take to strengthen the collection of economic intelligence without waiting for all of the problems of top management for economic policy to be settled. It is recognized that much has been done during the past few years to broaden the geographic coverage of economic intelligence, and that CIA has done a commendable job during the last two years of meeting many new demands for such intelligence on short notice.

VI. THE ALLOCATION OF COLLECTION RESOURCES

Issue #4: What steps should be taken to prepare a national strategy for the allocation and use of intelligence resources?

Option A. Do nothing beyond continuing the preparation of the annual Consolidated Budget for the Intelligence Community together with recommendations; and prepare an annual review of the progress of the Community for the President, the first review being under way at this time.

For:

1. The Community has been subjected to very sharp budget cuts in recent years, together with a tight budget for the near future in the face of inflation. It takes time to digest these cuts, and the Community should not be kept off balance by the prospect of possible major reallocations of resources in the near future. It deserves a breathing spell.

2. It is reasonable to assume that these budget cuts resulted in correction of some of the most serious misallocations of resources. Furthermore, there are some built-in corrections that take place over a period of time. If you cannot recruit

high level agents in Europe any more, resources for such purposes are reduced. If you can get more good science intelligence out of foreign publications than from agents, you spend comparatively more on exploiting published sources. If you find it more and more difficult to crack codes in sophisticated countries, you reduce the number of intercept stations in those areas. Such changes are taking place all of the time behind the scenes.

3. There is no "scientific," precise technique for allocating intelligence resources. Judgments by experienced people will always be involved.

4. Some of the evaluation procedures of the DCI are providing important guidance for better allocation of resources. For example, one of the key intelligence questions (KIQs) will be selected for analysis. A study will be made to determine what raw intelligence is being collected and what collection gaps there are in answering this question; and also, to determine if there is proper coordination between the amount of intelligence collected and the amount used. Thus this study provides the "base line" information, against which the situation six months later is evaluated.

Against: ...

1. The Consolidated Budget for the Community with recommendations has not turned out to be a very dynamic management tool; and the annual progress report to the President is just that, a progress report, not a recommendation as to where we should go from here. I have the impression that, to some extent, the DCI is moving along without any firm frame of reference, or strategy. There is a lot of professionalism in the handling of details and specific projects, but some of the major deficiencies seem to be something the Community just has to live with from year to year.

2. At least some of the people with whom I have talked regarding the allocation of intelligence resources (especially those who are probably not in full sympathy with the President's view that we should maintain a very strong military posture) believe that since the DOD budget includes over 4/5 of the total intelligence funds, the DOD budget for intelligence is obviously too high. They think that a careful study of the allocation of resources will result in a recommendation to reduce the proportion of the total intelligence budget allocated

to DOD for military-political intelligence. I don't think such a result is necessarily so, but a study would be useful to help settle the sharp differences of opinion existing within the U.S. Government today on the equitable allocation of intelligence resources.

3. It is true that there have been many studies of the Intelligence Community, but nearly all of them seem to have been concerned with "moving the boxes around on the organization chart," and not with the allocation of resources or the general strategy for intelligence.

Option B. Organize a high level study group, composed primarily of individuals from outside the Intelligence Community, to make a detailed study of the allocation of collection resources within the Community, and submit options for taking corrective actions.

For:

1. A study made largely by individuals outside the Community would have more credibility than recommendations developed within the Community.

2. Many new technical collection devices and improved equipment are becoming available, and outside experts could be helpful in determining the

best "mix" of these collection methods for the foreseeable future from a cost/benefit point of view.

3. The study group would require reports and make sample checks to determine what proportion of raw intelligence now collected is processed and used, and attempt to make some rough checks of the comparative cost/benefit of alternative collection methods.

4. The issue of the proper allocation of collection resources appears to be sufficiently controversial that an outside look would be helpful at this time.

Against:

1. It will be difficult to recruit qualified persons for the outside study group who are not employed by companies selling the complex highly technical equipment used for intelligence purposes or selling research services to DOD. Would such outside experts be more objective than informed personnel employed by CIA or DOD?

2. Could such a study group produce meaningful recommendations in the absence of any

approved national strategy for intelligence resources?
Could it analyze budget figures for intelligence activities of DOD without reference to the overall budget policies of the Department of Defense? Is it realistic to ask outsiders to analyze budget data?

Option C. The DCI would prepare an annual report whose principal product would be a proposed national strategy for intelligence, with options. The input in preparing this report would be the various Community members' budgets; results of studies of major issues in depth (Option C of Issue #1); results of DCI evaluation studies (see, for example, item #4 under Option A of Issue #4; and near term budget data and longer term issues resulting from 5 year planning (see Option C of Issue #2), the planning being subdivided into three or four functional categories cutting across agency and departmental lines.

For:

1. This annual report would replace the Consolidated Intelligence Community Budget with recommendations prescribed in President Nixon's November 1971 Directive. The Consolidated Budget has not proved to be very successful.

2. This Option would provide a means of

making maximum use of the various studies and analyses discussed earlier for purposes of securing Presidential policy guidance for intelligence activities.

3. An overall national strategy for intelligence would replace present intelligence guidelines which tend to be little more than the summation of ad hoc decisions reached on individual projects. The DCI would have a firmer foundation on which to exercise his leadership role.

4. Certain major issues, such as whether all electronic transmissions taking place in a given part of the world should be recorded and analyzed, can only be raised effectively in a broad report structured as proposed in Option C.

Against:

1. Option C assumes there is enough stability in the world to justify making projections several years ahead with some confidence. This assumption can be questioned at this time.

2. It is possible to be overorganized, to have too precise policy guidelines that reduce flexibility and may stifle initiative.

3. The preparation and clearance of this proposed report would require many hours of the time of very senior officials.

Discussion: The annual Consolidated Budget for the Community, together with recommendations for the President, has not been a success. Various improvements in forward planning, and analysis of stubborn problems, now under discussion or under way, will lay the groundwork for the development of a recommended national strategy for intelligence. A report setting forth such recommendations, with options, would replace the present annual Consolidated Budget.

INTELLIGENCE SUPPORT FOR FOREIGN POLICY
IN THE FUTURE

Russell Jack Smith

1 December 1974

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FUTURE INTELLIGENCE SUPPORT FOR FOREIGN POLICY

By R. J. Smith

S U M M A R Y

It is widely agreed that United States foreign policy will focus with greater intensity than before on economic and technological problems in the remaining 1970's and the 1980's. This new emphasis will require a corresponding change in intelligence support. In organizing resources to provide this support for foreign policy one should look at existing capabilities scattered throughout the government, not only at those in the intelligence organizations.

Optimum use of U.S. intelligence agencies will require some caution not to overburden them with tasks lying outside their primary role: warning against external military and political threat to the security of the United States. On some problems now becoming urgent -- like the Soviet and Chinese economies, world trade patterns, world oil production -- intelligence can make a special contribution; others -- like environmental studies and world food grain production -- may better be assigned to departments with policy responsibilities.

Economic issues in foreign policy have great urgency at present and will retain front rank in the future. Support for economic foreign policy can be better pro-

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INTELLIGENCE SUPPORT FOR FOREIGN POLICY
IN THE FUTURE

Conventional wisdom has it that in the remaining years of the 1970's and in the 1980's the United States will confront an array of problems in foreign policy fundamentally different from those which dominated the previous thirty years. The emphasis on military threat and related concerns will give way increasingly to policy issues centering around economic and technological problems.

There can be no serious quarrel with this contention. Indeed, the "future" as perceived here is already upon us. The great problems of energy allocation, global food supplies, and international monetary stability -- to name three prime examples -- have already taken the center stage away from our former main concern: the Soviet military threat against the security of the United States.

It is important to remember, however, that what is envisaged is a shift in emphasis, not an absolute change in basic U.S. foreign policy. This caveat is particularly important when considering how to focus and structure intelligence support for foreign policy in the future. It is not uncommon for those who cite

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the future dominance of economic and technological problems to suggest at the same time that great expansion of the intelligence establishment will be needed to explore the innumerable facets of these problems. No one can argue against the growing need for well-grounded, sophisticated studies which array the abundant economic and technical data in meaningful patterns and which guide policy toward identifying significant elements. But issue can be joined with the automatic assumption that this task should be assumed primarily by the intelligence organizations, even though a trend has already been established for intelligence to expand broadly in these fields.

Several considerations should serve as restraints. First, national security against external military threat will remain a major, if not dominant, concern for US foreign policy in the future. US intelligence has a heavy investment in guarding against this threat and a substantial share of its energies and resources must continue to provide this protection. Second, the intelligence agencies do not invariably have something special to contribute on economic or technological problems, neither in information or methodology. Instead, what they have is a tradition of service and the

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COMMISSION ON THE ORGANIZATION OF THE GOVERNMENT
FOR THE CONDUCT OF FOREIGN POLICY

2025 M STREET, N.W.
WASHINGTON, D.C. 20506

May 1, 1975

STATINTL

[REDACTED]
Intelligence Community Staff
Washington, D. C.

STATINTL

Dear [REDACTED]

Although our plans are still somewhat uncertain, we now plan to try to publish the South Asia study by Lloyd and Susanne Rudolph and their associates. I, therefore, am sending the Rudolph summary chapter and the cases by Stephen Cohen and Philip Oldenburg which may reflect information they received from people in the CIA.

Our time constraints are severe, and I would hope that you could give us an expeditious reading. Thanks again for your help.

Cordially,



William I. Bacchus
Associate Research Director

Attachments

SOUTH ASIA AND U.S. MILITARY POLICY

A CASE STUDY PREPARED FOR THE COMMISSION ON THE ORGANIZATION OF
THE GOVERNMENT FOR THE CONDUCT OF FOREIGN POLICY

STEPHEN P. COHEN

UNIVERSITY OF ILLINOIS AT URBANA

OCTOBER 23, 1974

I. INTRODUCTION

Since 1965 two Administrations have had to fashion a coherent strategic and military policy towards South Asia in the face of extraordinary complexity. This complexity is most evident in two areas of choice: the proper integration of American regional military interests with her global strategy, and the wise use of military means in the service of this integrative process.

There is no doubt that the U.S. has pursued "global" or grand strategic objectives in the world since 1945. At this level critical variables have included Soviet, Chinese, European and (now) Japanese capabilities and intentions. What has been in doubt is the relevance of this global pattern of interaction to American involvement in regional sub-systems such as South Asia. At one extreme, should South Asia be treated on its own terms, free from superpower competition? At the other, should American policy in the region be guided exclusively by global and superpower considerations?¹ A striking characteristic of America policy towards South Asia has been the oscillation between these two views: one purpose of this paper will be to describe this oscillation and identify the important organizational and issue-related causes for it.

A second area of complexity confronting U.S. military and strategic policy is the extraordinary militarization of relations in South Asia.² Military tension between India and Pakistan--erupting in open warfare twice since 1964--has become a regrettably permanent feature: this has in turn provided the opportunity for major external powers to provide hardware and weapons to both sides. For the U.S. this presents a number of difficult problems: how effective are weapons as instruments of American policy? Who is to implement an arms program, and who is to evaluate it? Can arms transfers enhance bi-lateral relations in what is almost a zero-sum environment, should they serve America's

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regional interests, or can (and should) they serve extra-regional global American interests? Thus, what confronts American policy-makers is both complexity of situation as well as complexity of choice.

One issue has dominated American military policy in South Asia: the transfer of weapons.³ The bulk of this paper will examine the determination of arms transfer policy in the 1965-74 period with special attention to two decision points. These are the reformation of weapons policy in 1966-67, and the "one-time" exception to that policy of 1970. The two decisions illustrate radically different judgements of both the strategic importance of South Asia and the use of weapons as an instrument; the decisions were also concluded via two different organizational patterns. To provide a broader base of comparison we will also examine another decision with military implications: the proposed expansion of the facility on Diego Garcia. This episode provides additional confirming evidence about the way in which America's South Asian military policy has been made in recent years and helps provide some additional basis for evaluation of that policy.

II. NO ARMS FOR THE POOR: STATE GAINS CONTROL

By many standards, the 1965 Indo-Pakistan war was a success. From the military point of view it was, according to participants on both sides, 'a bloody good show', with just enough casualties to toughen the troops but not so many that eyebrows were raised.⁴ For the political leadership in each country the war served a purpose: for the Pakistanis it was vital in their attempt to keep the Kashmir issue alive and before world opinion, for Lal Bahadur Shastri, it was a successful baptism under fire. True, much of the moderate East Bengali leadership was incensed at the lack of preparedness in East Pakistan--but at the time this was a grievance which was merely noted, although it was to surface again in 1971.

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Yes, the war was useful, and not only for the South Asians. China was able to demonstrate her continuing and firm support of Pakistan through a bit of saber rattling in the Himalayas (and they were to repeat the effort in 1971); the Soviet Union demonstrated that it had established itself on the Subcontinent by hosting a reasonably successful summit conference at Tashkent. And what of the United States? An ally, Pakistan, and a sister democracy, India, had fought a war which was widely viewed as subsidized by American taxpayers. The U.S. played little or no role in ending that war, and had received no thanks from either side; what was there to rejoice about?

Very simply, the war came at the right moment for the U.S. in the way that some calamities are welcomed by debtors and bigamists. For this was precisely the position of the U.S. vis a vis India and Pakistan. It had undertaken substantial arms programs in both countries, and attempted to manipulate their relationship for the presumed benefit of all three parties, with dismal results. Promises had been made to both sides which could not be kept without antagonizing one state or the other: the 1965 war enabled the U.S. to get out of these commitments with some shred of dignity and then actually proceed to construct a reasonably intelligent arms policy.

Before describing this effort note should be made of the way in which the U.S. painted itself into a corner in South Asia, and the enormous military impact it had come to have upon a region which by no stretch of the imagination was strategically vital.

The U.S. had been engaged in the transfer of weapons and war material to South Asia since the mid-1950's. Indeed, transfers occurred earlier, if one takes into consideration the weapons and military infrastructure left in the region as a consequence of World War II. The military importance of weapons transfers

from the U.S.A. was historically crucial. Pakistan would not have become a serious military power without U.S. equipment. Virtually her entire army and Air Force were equipped with relatively modern U.S. weapons, most notably M-47 and M-48 Patton Tanks (once the main battle tank of NATO), F-86 Sabre aircraft, and F-104 supersonic fighters (also frontline NATO equipment), and B-57 light attack jet bombers. In addition, engineering, communications, and transportation equipment was lavishly supplied. These transfers led directly to Indian purchases (largely from the U.S.A., Britain, but later from France and the Soviet Union) of equivalent weapons and very heavy Indian investment in a domestic arms industry.

Until 1962, U.S. weapons were largely a Pakistani asset and an Indian problem. However, after the conflict with the Chinese, they were given and sold to India for the explicit purpose of defense against further Chinese incursions.⁵ To this end, the U.S. provided equipment for six so-called mountain divisions, road-building and engineering equipment, and the beginning of a modern air defense system orientated towards the Himalayas.⁶ In addition, parts of several ammunition and arms factories were shipped to India, although not all of these were completed before the 1965 war. Negotiations for modern supersonic aircraft fell through, as did talks about refurbishing the aging Indian Navy. According to the terms of the assistance, this equipment was to be used only against the Chinese. A huge U.S. military mission was installed in New Delhi to inspect the disposition of American aid.⁷

This U.S. Military Supply Mission to India (USMSMI), housed in a rented maharajah's palace, operated under direct orders from the Department of Defense. But it was not the first such mission in South Asia: a gigantic Military Assistance Advisory Group had been in Pakistan for years, directing the flow of American weapons and training in that country.

Both of these missions were classic expressions of then-prevalent assumptions concerning the utility of direct military-to-military ties in furthering U.S. policy. As Selig Harrison and others have noted, the Pakistan aid program was based on the belief that even before Ayub's coup the military was a dominant power in that country and that U.S. military personnel were perfectly capable of dealing with them.⁸ At that time State was thought to be unable to handle such large military assistance programs so it seemed perfectly natural to let the military do it. They did, with characteristic zeal. Ties between U.S. officials and Pakistani generals date from the early 1950's, and remain a factor in bilateral relations.⁹ State Department officials even today note with a mixture of sarcasm and awe the power of Pakistanis--especially the right "martial" types--to influence visiting American dignitaries.¹⁰

The officers attached to USMSMI had no such ego-building experience. The Indian Government had long been wary of close relationships between their own generals and foreign military personnel: they were quite aware of developments in Pakistan. While their fears of a foreign-inspired coup among their own military may have been exaggerated, they were deeply felt, and Indian civilians in the Ministry of External Affairs and the Defense Ministry were scrupulous in restricting contacts between their own and the U.S. military.

Thus, when the 1965 war finally came the American military found themselves to be the subject of exaggerated expectations in Pakistan and exaggerated suspicions in India. Pakistan expected more help than it could get; India, needing less, was angry when even that was not forthcoming.

Even to the U.S. military the war seemed to undercut much of the rationale for the military aid programs in both India and Pakistan. True, there were still "interests" in both countries, especially Pakistan, in the sense that a number of

American generals tended to view substantial U.S. programs and installations as interests in themselves--deriving interest from program. But even in Pakistan this "interest" had deteriorated, and the spy-bases and radar installations located in Peshawar and Gilgit had lost much of their value. Besides, as a number of U.S. officers had observed, India demonstrated substantial improvement over her inept performance against China three years earlier. A number of younger U.S. Army and Air Force officers (the two services most concerned with South Asia at that time) argued for an arms policy which at the very least would not antagonize this growing power.

If Pakistan had lost much of her military lobby by 1965 she had begun to lose support among State Department professionals even earlier. The rapid move of India towards the West after the 1962 India-China war raised the strong possibility that she could become a de facto ally of the U.S., and a strong, powerful, democratic one at that. This position was argued by both Galbraith and Bowles, sometimes to excess, but was shared by foreign service professionals who had seen duty in both countries.¹¹ While there was some sense of competition between the embassies in Rawalpindi and Delhi before 1965, the war had done much to crystallize opinion and bring them together.

Their shared analysis of both military and strategic possibilities in South Asia remains almost intact today, and is worth presenting in summary form:¹²

a) Militarily, Pakistan could no longer hope to obtain any kind of strategic superiority on the Subcontinent even with a major external arms supplier. This judgement was confirmed by the outcome of the 1971 war and was based largely upon a significantly better Indian performance in 1965 than 1962. Although the war of 1965 was something of a stalemate, and almost degenerated into a war of attrition, it was precisely that

kind of war which India was best able to mount against the numerically smaller Pakistani forces. No amount of bluff and bravado about the martial races of Pakistan could conceal the fact that Indians fought well also. Pakistan, in short, was clearly not--and could never become--the dominant or even major military power on the Subcontinent.

b) America had few if any direct or bi-lateral military interests in South Asia itself. While the area remained of political importance for a number of reasons (see below) these did not necessarily have military implications. The Soviet threat to the Subcontinent was hardly likely to take military form, the Chinese struggle with India seemed to have cooled down considerably. The Chinese even failed to intervene during the 1965 war, when such intervention would have had a great impact. And, as noted above, the spy bases and other installations in Pakistan were no longer vital to U.S. strategic planning, having been largely replaced by satellites.

c) the U.S. did retain some bi-lateral non-military interests in the region. The general goals of economic development, humanitarian relief, encouragement of democratic regimes, favorable bi-lateral relations and the reduction of Sub-continental tensions were (and still are) shared by foreign service professionals dealing with the region. Strategically, they viewed the region as important in the Cold War, but not as important as in the 1950's, but this importance was based on non-military grounds.

d) As between India and Pakistan, few in Rawalpindi, New Delhi or Washington would be willing to argue for an either/or choice. India was important because of its size, democratic political system, and economic difficulties; Pakistan was itself regarded as a substantial nation but in

addition had been a loyal American ally for a number of years. Politically, India had excellent ties with the non-aligned world, Pakistan with a number of Arab states and other American allies. Of greater concern were the ties of the two states with the two great Communist powers: India with the Soviet Union, Pakistan with China.

While there are of course individual exceptions, it must be stressed that even today there is remarkable agreement on the above analysis among civilian FSOs dealing with South Asia. This shared perception of local conditions and American interests made it possible for a major step in American military involvement in South Asia to be taken.

Shortly after fighting broke out between India and Pakistan in 1965 the USG announced an embargo on military shipments to both India and Pakistan. By the time the war had terminated plans were underway in Washington to study the entire U.S. arms program for the region. The embargo had had an uneven impact, because Pakistan had been almost totally dependent upon the U.S. for her weapons, while India's military had British, French, and indigenous equipment.¹³ In fact, the USG never did give or sell frontline combat weapons (tanks and aircraft) to the Indian armed services which had viewed America as the best possible source of weapons. When the then Defense Minister (Y. B. Chawan) went to the Soviet Union in 1964 to examine Soviet weapons he was accompanied by a group of reluctant Indian officers; ultimately it became clear that American weapons were not to be forthcoming, and the Indian military settled for what they could get.

While the Pakistanis had held discussions with the Chinese for some time concerning arms assistance, the 1965 war made this an urgent priority. The Chinese rapidly became Pakistan's major arms supplier and today just under half of her combat aircraft and well over half of her medium tanks are of Chinese origin.¹⁴

These developments were of some concern to the MAAG mission in Rawalpindi and they kept pressure on DOD to support the lifting of the embargo to Pakistan. But DOD itself was having second thoughts on arms programs in general, and Pakistan in particular. By coincidence, a major DOD study of military assistance had been completed in 1965 and concluded that most current programs were in great need of reform.¹⁵

An initial break in the embargo occurred in early 1966 as a consequence of urgent pleas from both the U.S. and Pakistani military in Rawalpindi. India and Pakistan could purchase for cash or credit and on a case-by-case basis, "non-lethal" end items. Additionally, they could purchase spare parts for non-lethal material on a cash basis only. Crucially, India and Pakistan were to be treated identically, a reflection of the rough equality of U.S. interests in both states. Further, a unique distinction had been introduced into the arms assistance program: "lethal" vs. "non-lethal" equipment. The former were presumably weapons that fired, the latter included unarmed transport (air and ground), communications equipment, and logistics and engineering supplies.¹⁶ This relaxation of the embargo was no boon for Pakistan. In fact, like the total embargo, it favored India, which had been making large purchases of U.S. "non-lethal" equipment for several years. But the new policy had another effect: it stimulated the Indian and Pakistani search for new sources of weapons.

Meanwhile, the State Department's India and Pakistan desks had undertaken a careful search for an arms policy which would maximize what they perceived to be American interests in the region. A virtual embargo might have been continued had India and Pakistan not been so successful in obtaining outside sources of weapons from the two Communist powers, France, and Great Britain. Additionally, Pakistan was still putting heavy pressure on the USG and tried to exploit what they perceived as a sympathetic Lyndon Johnson. According to several sources

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however, Johnson declined to intervene in the decision-making process on the side of the Pakistanis and the final policy determination was formulated within the regional bureau of the State Department.

This policy, announced on September 23, 1967, remains in effect today. It consisted of the 1966 modification of the 1965 embargo, plus the following points:

a) All equipment assistance on a grant basis would be terminated (with the minor exception of the provision of road-building equipment for India to use in constructing the East-West Highway in Nepal),

b) Withdrawal of the substantial U.S. Military Supply Mission and MAAG group in India and Pakistan, respectively,

Resumption of grant aid training programs on a limited scale,

c) "Willingness to consider on a case-by-case basis the cash sale of spare parts for previously supplied lethal equipment."¹⁷

The criteria for the case-by-case consideration of spare parts were to be the recipient's critical need, "contribution to reduction of military expenditures or arms limitations" and contribution to "reasonable military stability" within the Subcontinent.¹⁸ Thus, the U.S. did not declare its intention to withdraw entirely from its earlier efforts to seek some balanced relationship between India and Pakistan, but it did state that such efforts would be quite restricted. The U.S. would not rebuild or expand Pakistani force levels, at the very most it would guarantee that they would remain at approximately 1965 levels; a number of DOD, MAAG, and attache studies had already determined that these levels were adequate for Pakistan's internal security and for her defense against India. The U.S. had tried to remove itself from a position of major arms supplier in South Asia, while

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still maintaining some limited military-to-military contact and holding some leverage over Pakistan (via decisions on spare parts) and therefore (indirectly) over India as well.

The reaction to this policy statement was stunned anger in Pakistan and wary relief in India. On balance, the policy favored India, to the degree that the U.S. would no longer be Pakistan's major arms supplier. U.S.-Pakistani relations hit an all-time low in the years following the 1966-67 policy decisions, as Pakistan felt vulnerable and betrayed. She even accepted some Soviet military equipment, a development which sent tremors of concern through the Indian government. Ironically, the Soviet justification for arms to Pakistan was the same as that invoked by the Americans: it was needed to provide a token balance to Chinese arms aid. The Soviets now argued in New Delhi that their supplies to Pakistan made that state dependent upon her--the identical argument used before 1965 by the USG in both New Delhi and Rawalpindi. The Soviets, in brief, had assumed much of the same responsibility for balancing Indian-Pakistani relations that the U.S. had carried for a number of years. And the USG, deeply embedded in the Vietnam struggle, was perfectly willing to let the Soviets assume that responsibility.

Maintaining the 1967 arms restrictions has been a difficult task, complicated by continual pressure from Pakistan and its supporters and the occasional difficulty of knowing exactly what U.S. policy is. Such a policy is not self-enforcing it depends upon knowledgeable individuals defending it from encroachment, nibbling tactics, and sheer ignorance. At present, the critical officials are the desk officers and Country Directors for India and Pakistan, plus the Deputy Assistant Secretary of Defense (ISA) that deals with South Asian matters. He, in turn, is assisted by two military officers of colonel rank (who may, however, be drawn from any of the three services), who deal, respectively, with South Asia and the

Indian Ocean region. There is a close, continuing relationship between these two officers and the desk level FSOs in the State Department: they form the key relationship in the application of the 1967 and related policy decisions. Others may be brought in for special reasons, but policy implementation lies in the hands of these half-dozen individuals.

My observation of this process in recent years indicates some weaknesses. Desk officers usually come to their positions with considerable area expertise, the honorary rank of colonel (so that they can be fitted into the Pentagon's protocol system), and quite variable military experience. This has ranged from none to some time spent at a war college. They must cope with a variety of complicated military-related issues: when is a weapon "offensive" or "defensive"; what is a spare part and what is a complete weapons system (a 105 mm. shell would be the former, a hand grenade the latter); what are India and Pakistan's "real" military needs, as opposed to their announced needs; what civilian and commercial equipment has military application; what is a "lethal" vs. a "non-lethal" item of military equipment.

The first determination of such issues is made by these civilian officials, and they are on occasion unable to muster the necessary expertise. Their counterparts in ISA will have technical expertise, but may or may not have area knowledge. When ISA did have officers with both kinds of skills the task of coordination and implementation of policy was enormously simplified, and lower-level officials were quite effective in their presentation and defense of existing policy. Thus, during the entire Bangladesh crisis, the 1966-67 policy was never broken by the U.S., although a self-imposed embargo was both accidentally and deliberately violated, and illegal third-country transfers of weapons may have been winked at. All of these violations were initiated at the highest levels of the U.S. government, and working level officials were deliberately deceived on more than one occasion.

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In retrospect the 1966-67 policy decision to remove the USG from the South Asian strategic balance of power was a remarkable achievement brought about because of several unusual circumstances. The bi-lateral military programs in both India and Pakistan were proving to be personally and politically unsatisfactory to those involved in them; they meant that the USG was fueling both sides of an arms race; external Communist threats to the region seemed to have declined; American resources and war material were urgently needed elsewhere; the bureaucratic and public lobbies favoring arms supplies to India or Pakistan were sobered by the 1965 war. Finally, a President preoccupied by the Vietnam conflict was unwilling to intervene on behalf of one or the other country, and permitted the State Department to make a final determination of U.S. policy. But, as one participant in the process at that time noted, "policy" is a slippery concept: it can serve indefinitely as a guide to future action, or it can be swept away tomorrow. America had a "policy", but even it was to be made subject to "exceptions."

III. LET THERE BE ONE, TWO, MANY EXCEPTIONS

When Richard Nixon acceded to the Presidency in 1968 he was determined to make a mark in foreign policy above and beyond the immediate requirement of terminating American involvement in the Vietnam war. With Henry Kissinger as mentor and executor he fashioned a global foreign policy for the United States and presented it to the world during his 1969 trip around the world. Unlike the crude anti-communism of earlier administrations or the ad hocism of Johnson, the Nixon Doctrine envisioned a world made up of several important power-centers, and predicted U.S. foreign policy upon successful dealing with these centers. The "battleground" of the Cold War, the so-called Third World, was clearly relegated to a subservient position in this scheme of affairs, important only as individual countries had a special relationship with one of the major power centers.

Pakistan was one such country. It had stubbornly pursued close ties with China despite American and Soviet objections.¹⁹ It is quite probable, therefore, that when Nixon visited Pakistan in 1969, he initiated discussions about future U.S.-Chinese relations. At the same time he listened with considerable sympathy to President Yahya Khan's request for a change in the 1966-67 arms assistance policy. For reasons which we may never know, Nixon is reliably reported to have said to those in his party that the U.S. should "do something for Pakistan".²⁰ This could have been a quid pro quo for Pakistan's role in making the China trip possible, it could have grown out of Nixon's long-standing interest in Pakistan itself, or both motives may have played a part.

The command to "do something for Pakistan" came back to the State Department through NSC and State Department channels. Do what for Pakistan? The India and Pakistan desks were to have their first taste of the new, Kissinger-ized system of decision-making.

As a group, the two dozen or so senior officials in Delhi, Rawalpindi, and Washington were not inclined to do anything for Pakistan.²¹ They understood that Pakistan needed weapons, that the Pakistanis had continued their pressure to have the 1966-67 policy altered, but by and large they were pleased with the state of affairs in South Asia. No major war appeared likely in the foreseeable future and relations with India were reasonably good. In their view the demand to "do something" probably stemmed from the President's personal interest in the fate of the generals in Pakistan; they were hardly inclined to sympathize, and none were aware of the secret plans being made for the China trips of Kissinger and Nixon.

The initial reaction of State was to temporize. Presumably, the decision to assist Pakistan was a whim, and could be dragged out. Thus, papers circulated

from the regional desks to NSC and back for numerous modifications and adjustments, coordination with the Pentagon being handled by the staff of the Assistant Secretary of Defense for International Security Affairs. A number of study papers were prepared with various choices laid out for NSC and Presidential action. To the dismay of the now perplexed desk officers and country directors in State, several of these were sent back with the demand that more "real" choices be presented. At least one desk officer noted at the time that he was not really sure whether anyone at NSC was reading the papers from State, or whether he might not be performing make-work tasks. State was in no hurry to rush to a decision but then the NSC staff seemed to be demanding something from State, but not specifying what that something should be. However, since State officials were unaware of the new importance of the Pakistan-China link, they were unable to formulate a policy to accomodate this development; they were serving as technical advisors, blindly offering up suggestions without a clear understanding of the reasons for making an exception to the 1966-67 policy. Some thought that it was Pakistan's relationship with Iran and the Middle East which had triggered presidential concern, but offered this explanation to a visitor with only half-hearted enthusiasm.

State pondered the demand to "do something" for a number of months. Then, in mid-1970, after a meeting with CENTO ambassadors, President Nixon was approached by the Pakistani Ambassador, who reminded him of the 1969 pledge. Furious at the news that "something" had not yet been done, Nixon turned to an aide and demanded immediate action. The bureaucracy was jolted, and a package deal was finally put together.

This was announced in October, 1970 as a "one-time exception" to the 1966-67 policy. Pakistan was to be offered the right to purchase--for cash and hard currency--a number of M-113 armored personnel carriers (300) as an alternative to their request for M-48 tanks. Additionally, the U.S. would enter into negotiations

for the purchase of a limited number of combat aircraft--but not the "hot" F-104's so desired by the Pakistan Air Force. And that was all: no really new "offensive" weapons were provided (as the APCs were defined as "defensive") and the aircraft were to be replacements for interceptors Pakistan had lost by attrition and accident (but not combat). The entire one-time exception was publicly justified as a "symbolic offset to Pakistan's growing dependence on Chinese arms." In retrospect this seems an almost comical assertion in view of the fact that Pakistan was by then serving as an intermediary with the Chinese. With the benefit of hindsight the one-time exception emerges as a symbolic reassurance to the Chinese that the U.S. would assist a mutual friend. One can only speculate whether the Chinese actively lobbied for the one-time exception as an indication that in areas where their interests were parallel, the U.S. and China could work together, and that the U.S. was willing to share the Chinese' burden in maintaining the Pakistani military.

If such cooperation latter was a Chinese or Pakistani expectation the actual content of the one-time exception must have been a disappointment, more symbol than substance. The weapons to be provided were not particularly crucial for Pakistan nor were the terms very good. Pakistan had hoped and tried for weapons through the "third country route", obtaining U.S.-origin equipment from Iran, Saudi Arabia, Turkey, or West Germany.²² However, Congress had passed restrictive legislation concerning "third-country" transfers and was watching the situation very closely. The White House staff had suggested using third-country transfers as the vehicle for providing weapons under the "one-time exception", but it was pointed out by the Country Directors of India and Pakistan that this would require a determination that the U.S. would be willing to provide those weapons to Pakistan directly. Neither State nor the White House staff seemed to be eager to claim that U.S. policy now included the provision of "offensive" weapons. Even the

President did not demand this. He was interested only in some visible, public show of sympathy for Pakistan and "symbolic" support was indeed enough.

Ironically, Pakistan will never receive the aircraft that were being negotiated under the one-time exception agreement, and only recently received shipment of the APC's. When fighting broke out in East Pakistan in 1971 a new embargo was imposed on shipments of weapons and war material to both India and Pakistan; despite some leakage of largely Pakistan-owned equipment, the embargo was effective. The APC's, which had been partially paid for, were manufactured right through the Bangladesh crisis and waited for shipment until 1973 when delivery was resumed. Even as the last shipment was arriving in Karachi, though, Pakistan undertook a new campaign to have the U.S. make what could well become "the second one-time exception".

Today, senior State Department officials at the regional level look back upon the "one-time exception" with a sense of frustration and concern. Insisting that it really was "exceptional", a "deviation" or an "aberration" because of the extreme degree of Presidential initiative, they nonetheless fear a repetition of the episode. It has made the working-level officer quite sensitive to South Asia's marginal place in the Nixon-Kissinger world order, and they have become adept at justifying or explaining bi-lateral policy issues in terms of broader strategic and political consequences. One senses that they do this more out of duty and loyalty than conviction.

IV. DIEGO GARCIA AND THE POLITICS OF PERSISTENCE

Diego Garcia, a small island located 1000 miles to the southwest of the Indian Subcontinent in the Indian Ocean, has been the object of American naval planning for over thirty years.²³ This interest was intensified in the mid-1960's when the U.S. Navy launched a full-scale effort to obtain Diego as a transit base for ships proceeding to or from Southeast Asia. A project manager was appointed,

studies were made, and the "facility" became an annual object of negotiation between the Navy and civilian managers in the Department of Defense. As Earl Ravenal has testified, the staff of ISA/DOD took up the challenge and pointed out that refueling could be done more efficiently and cheaply in the Persian Gulf, that developing a U.S. facility would anger littoral states without yielding any particular benefit, and that even a small facility might be the prelude for a larger and unnecessary establishment.²⁴ Thus, until very recently, successive Navy project managers for Diego Garcia have had limited success. A small breakthrough occurred in the late 1960's when Diego was leased from the British and used as an electronics communications facility.

All of the public evidence available (and much of the private evidence) indicates a single-minded and intensive Navy interest in Diego, with annual requests for a major facility and the grudging but hopeful acceptance of funds for a minor one. In the scheme of things, until 1973, the Navy was the only agency which wanted to expand Diego Garcia, and they were successfully neutralized by civilian DOD officials in ISA working in collaboration with regional and functional bureaus (Political Military Affairs) of the State Department. Interest outside of these bureaucratic groups, and among the littoral states, was relatively insignificant.

The Middle East war of 1973 changed the entire political, strategic, and bureaucratic context. The Navy claimed that its ship movements in and around the Indian Ocean area (including the Gulf) were artificially constrained because of lack of support facilities (similar complaints had been registered in 1971 during the sailing of the Enterprise into the Bay of Bengal).²⁵ The Navy was concerned about distances, cost, and the larger Soviet naval presence in the Indian Ocean region, which required a bigger balancing force. Suddenly, the notion of an expanded Diego Garcia facility seemed to make considerably more sense to a number of DOD and State Department officials at all levels, although there was still no unanimity about either the role or mission of such a facility.

However, even before these issues could be fully discussed within the bureaucracy, the decision was made to go ahead with the expansion of Diego Garcia and raise it to the level of a significant support facility (although something less than an Okinawan or Guam-type base). According to a number of senior DOD and State Department officials as well as Congressional observers, the decision was made "over breakfast" between Secretaries Henry Kissinger and James Schlesinger, and took Washington by surprise.²⁶ A supplementary appropriation bill was rushed to Congress, all-out staffing was begun within the bureaucracy, and littoral states were hastily consulted and/or notified. In brief, Diego was to be expanded, and then the expansion would be properly justified in and out of the U.S. government.

The sudden unexpected expansion of Diego Garcia caused as much difficulty for the Administration as the idea of expansion itself. The announcement came during a period of great suspicion over executive secretiveness and stealth, and generated enormous opposition within Congress, the press, and to a lesser extent, the bureaucracy.

Gradually, a full-fledged political battle began to shape up. Some ambassadors to littoral states expressed their strong private dismay at the way in which the Diego Garcia expansion program was being handled; Congress took testimony from a number of well-informed critics of Diego, and even the C.I.A. seemed to be contradicting Administration and Navy estimates of the degree of threat from the Soviet Union in the Indian Ocean.²⁷ A number of supporters of an expanded Diego Garcia facility, within and out of the Government, expressed public and private reservations over the Navy's actual intentions, fearing a bloated, vulnerable, and costly base which in turn would be used to justify additional aircraft carriers, possibly trapping an undue portion of the American fleet on the wrong side of the Suez Canal.

At the time of writing funds for the expansion of Diego Garcia remain bottled up in Congress, despite direct and public Presidential support for what has now become a "base". It is clear that an initial attempt to rush expansion only led to greater Congressional and public skepticism, which in turn has finally brought about a public and bureaucratic debate over the strategic utility of Diego Garcia.

V. CONCLUSIONS

A comparison of the three decisions we have described in this report leads to several conclusions about foreign policy decision-making.

The locus of decision was different in each case. In 1967 it was at the working level of the State Department, the one-time exception was essentially a Presidential command, and the Diego Garcia expansion decision was taken at the Secretarial level. Thus, one came from the "bottom up" and two from the "top down". The latter two decisions were staffed-out only after the basic decision was made.

Other patterns emerge: the two arms assistance decisions were characterized by very heavy foreign governmental input, and strong representational roles on the part of the U.S. ambassadors to India and especially Pakistan. Diego Garcia has had very little foreign input, except in the negative sense that several littoral countries oppose an enhanced American presence in the Indian Ocean. Littoral sentiment has been heavily discounted by most participants in the decision-making process, unlike the two arms assistance decisions, when it was one of the main factors.

Another difference between the decisions has been the role of the Pentagon. As we have argued above, the U.S. military had begun to lose interest in South Asia by 1965 because of local and global developments. While simple program interest

and inertia led them to urge a continuation of some military relationship with India and Pakistan, no single service or branch was willing to mount a defense within the U.S. bureaucracy on behalf of MAAG or USMSMI programs. However, Diego Garcia had been a pet project of the Navy for a number of years and it had assiduously built up support among the other two services as well as its traditional supporters in Congress and among the public.

Finally, the public and Congress have played quite different roles in the three decisions. Again, the major contrast is between Diego and the two arms assistance decisions. Diego has become a minor cause celebre, and was even the subject of a question at President Ford's first press conference; hardly any politician or journalist has taken a substantial interest in arms assistance to South Asia (except during the Bangladesh crisis). For Diego, the Navy mobilized its entire Congressional and public-relations lobby; arms assistance was simply not a matter of much public interest in the U.S. in either 1967 or 1970. At the very most a few scholars expressed their concern publicly but with no perceptible impact. Also, a few arms manufacturers lobbied the Pentagon and the State Department to have various restrictions relaxed or eliminated. But these companies are probably more interested in selling equipment and weapons to India (the larger market) than Pakistan, and have had no substantial impact on policy-making.

As we have indicated, evaluation of the three decisions in this case study presents certain problems and is strongly affected by one's stance or perspective. From the viewpoint of American relations with South Asia as a region the original 1967 arms assistance cut-off made considerable sense and the subsequent one-time exception of 1970 was calamitous. It further strained relations with India without substantially aiding Pakistan and kept alive the hope in both countries that the U.S. might once again enter into a permanent and arms assistance relationship on the Subcontinent.

But from a so-called "global" perspective a different calculation was made by Kissinger and Nixon. Did not the enormous gain of better U.S.-Chinese relations (including the effect of this on U.S.-Soviet relations) outweigh the temporary and relatively trivial setback to U.S.-Indian relations. When one adds the gains the U.S. obtained in Pakistan itself, the impact of this on Iran and the Middle East, and the success of the China trip, it would seem to outweigh the losses suffered in U.S.-Indian relations. Is not India, in the global scheme of things, a marginal factor anyway? Put in these terms the one-time exception was a sound decision as was U.S. policy in Bangladesh.

However, this ex post facto rationalization is no more complete than a purely regional perspective. Had a broader circle of participants been involved in the actual policy decisions during the 1970-71 period it is quite probable that a way could have been found to minimize the harmful impact on U.S.-Indian relations and still bring off the China visit. The fundamental organizational implication of our study of U.S. strategic and military policy in South Asia pertains to the form and quality of coordination of that policy with other, allegedly more important areas. Are bi-lateral ties ("good" relations with India and Pakistan) to be consistently sacrificed to extra-regional considerations? If not, who is to determine when relations with South Asian policy must suffer, when an extra-regional interest must give way, or whether regional and global policies can be integrated and coordinated? One solution would be to insist upon more inter-regional transfers of personnel and periodic consultation between relevant Country Directors (most urgently, the India, China, and Soviet CD's). But this is obviously not enough. Additionally, the Assistant Secretaries might consult more frequently with each other on issues which cut across their geographic boundaries. The Bureau of Political Military Affairs and the Munitions Control Board cannot bring about such coordination in military and arms assistance matters

because they lack day-to-day contact with the regions. Ultimately, however, even this is not enough in a situation where policy is made at the very top of the hierarchy, as in the one-time exception and Diego Garcia cases. The failures in these decisions were not of organizational structure but of leadership, and of a leadership which felt comfortable with an organizational structure which could be manipulated to permit the intermittent shutting off of influence and participation of some concerned actors.

On the other hand, if one takes the view that U.S.-South Asian relations should be permanently subordinated to some global vision then the present structure is perfectly adequate. It provides for extraordinary regional expertise without regional influence within the State Department. South Asia claims only half of an Assistant Secretary's responsibilities (and probably the lesser half). American interests in South Asia receive attention at higher levels, but relatively little advocacy. Yet one must ask whether the present organization reflects a realistic judgement of the region's importance? It does, if one gives overwhelming weight to security and strategic concerns and is prepared to perpetually subordinate humanitarian, developmental, and certain libertarian and ideological interests. A kind of Seeley's Law appears to operate in these matters at least in recent years: the U.S. will eagerly trade off "soft" long-term interests, for which there is a small and weak Washington constituency, for "hard" and short-term military and global gains which may have a tremendous political and domestic payoff. The tragedy does not lie in the fact that government seeks such visible, tangible gains, but that it does so little to reconcile them with other, longer-run interests.

Our case study shows that such a reconciliation is possible. The 1967 revision of arms assistance policy was the result of a confluence of favorable forces, and any organizational reform should be directed towards creating such a situation.

In that case relatively little attention was paid to global military or strategic considerations: U.S.-regional relationships had high priority. It was what I have elsewhere termed a strategy of bilateral or balanced relations , in which South Asia would not be treated as a dependent variable vis a vis the rest of the world.²⁹ That decision did not please the states of the Subcontinent, but it did establish the basis for a realistic relationship between the U.S., India, and Pakistan by removing a terrible impediment to normal economic, political, and cultural ties. Had regional factors been given at least as great a weight ^{policy} in/as global factor in formulating American policy in South Asia from 1969 onward it is not likely that the U.S. would again be the object of military pressure from both Pakistan and India--the former pleading for another dose of weapons, the latter threatening to develop nuclear arms. It may well turn out that the gains of 1970-71 will be paid for during the rest of the decade.

COHEN/SOUTH ASIA AND U.S. MILITARY POLICY

FOOTNOTES

1. For a discussion of this problem see Wayne Wilcox, Leo E. Rose, and Gavin Boyd, eds., Asia and the International System (Cambridge: Winthrop Publishers, 1972, v, and more recently, William P. Bundy, "International Security Today," Foreign Affairs 53, 1 (October, 1974), 24-44.
2. I have explored this at length in my "Security Issues in South Asia," Asian Survey, forthcoming.
3. By transfers I include a wide variety of programs: direct grants, loans, and sales of equipment (the latter for hard or soft currency and by deferred or immediate payment). In addition, military assistance may also take the form of cash subsidies to the recipient state. Quite often, as in the case of both India and Pakistan, a military relationship will encompass a mix of several programs. Additionally, it may also involve direct cash subsidies in local currencies.
4. For three contrasting views see Russell Brines, The Indo-Pakistani Conflict (New York: Praeger, 1968), Lt. Gen. B. M. Kaul (Indian Army), Confrontation With Pakistan (Delhi: Vikas Publications, 1971), and Brig. Gulzar Ahmed (Pakistan Army), Pakistan Meets Indian Challenge (Rawalpindi: Al Mukhtar Publ., n.d.).
5. See K. Subrahmanyam, "Military and Foreign Policy," Foreign Affairs Reports (New Delhi), XVII, 11 (Nov., 1968), pp. 118, for an Indian analysis.
6. This system, mysteriously named "Peace Indigo," has just been completed. Earlier, the U.S. had sold at concessional rates significant numbers of World War II Sherman Tanks (800) and medium C-119 transports (55).

7. Most of this equipment has stayed in the Himalayas, but some can be used against Pakistan as well as China (the radar net, mountain divisions in Kashmir). There are some indications that the Indian military has spread around equipment intended for the mountain divisions to other units.
8. Selig Harrison, India, Pakistan and the United States (Washington: The New Republic, 1959).
9. Stephen P. Cohen, Arms and Politics in Bangladesh, India, and Pakistan (Buffalo: SUNY, Council on International Studies, 1973).
10. Typically a senior American officer has been met in Rawalpindi by a higher ranking Pakistani officer, or, in the past, by Ayub or Yahya, and in New Delhi by a middle-ranking civilian Defense Ministry bureaucrat.
11. For a view of the U.S. policy process in the period after the 1962 Indo-China conflict see Shivaji Ganguly, "U.S. Military Assistance in India 1962-63: A Study in Decision-Making," India Quarterly (July-Sept., 1972), 1-11.
12. I have drawn these from various conversations, official statements, and actions.
13. For a careful study of India's attempts to achieve self-sufficiency in crucial major weapons systems see Wayne A. Wilcox, "The Indian Defense Industry: Technology and Resources," in Frank B. Horton III, et al, (eds.) Comparative Defense Policy (Baltimore: Johns Hopkins University Press, 1974), pp. 479-481.

FOOTNOTES -3-

14. This is according to recent International Institute for Strategic Studies figures, which are accurate. In terms of American equipment, this amounted to over 80% of Pakistan's weapons at the peak of the aid program, but is now around 35-40%, and declining. During the 1971 War "friends" of the Pentagon were anxious to prove that weapons used by the Pakistan Army in East Bengal were of predominately Chinese origin. Several articles making this point were inserted in the Congressional Record of Nov. 16, 1971, by Cong. John Schmitz (Rep., Calif.).
15. For a discussion see Roger E. Sack, "United States Military Aid to the Ayub Khan Regime," a companion paper being presented to the Commission.
16. For the official policy statements plus supporting data see: 93rd Congress, House Committee on Foreign Affairs, Subcommittee on the Near East and South Asia, Hearings (United States Interests in and Policies Towards South Asia), March, 1973, and Report, May, 1973.
17. Hearings, op. cit., p. 86.
18. Ibid.
19. See Shivaji Ganguly, Pakistan-China Relations, A Study in Interaction (Urbana: Center for Asian Studies, 1971).
20. This is one version reported (and presumably believed by) a number of officials in State; they speak of offhand and casual presidential commitments, and the one-time exception seemed to be this at one time. In retrospect the commitment may not have been so casually entered into.

FOOTNOTES -4-

21. A few exceptions, especially the various U.S. ambassadors to Pakistan, have consistently argued over the years for increased military assistance to Pakistan. It is not entirely certain that all of these persons have done so out of a strong sense of conviction; such a representation of Pakistan's presumed interests has, however, eased their relationship with various Pakistani leaders.
22. When India or Pakistan wanted to buy U.S.-origin weapons from third countries (Great Britain, West Germany, Iran, Turkey) they had to obtain American permission for the transfer under present agreements. This meant that both South Asian states plus one or more NATO or CENTO ally were simultaneously lobbying the U.S. Government, creating a very complicated and delicate political problem. There have been transfers from the U.K. to India and from West Germany to Pakistan via Iran; some of the latter raised legal and political difficulties. For extensive documentation and testimony see, U.S. Congress, Joint Economic Committee (Subcommittee on Economy in Government), Hearings on Economic Issues in Military Assistance, January-February, 1971.
23. For an alleged chronology of Navy interest see: U.S. Congress, Committee on Foreign Affairs, Subcommittee on the Near East and South Asia, Hearings (Proposed Expansion of U.S. Military Facilities in the Indian Ocean), Feb.-March, 1974, p. 156. The Navy claims initial interest in the 1960's, but studies underway indicate a much earlier concern with an Indian Ocean facility.
24. Ibid., p. 86.
25. See the testimony of Admiral Zumwalt, op. cit., pp. 129 ff.

26. There are various apocryphal stories circulating among the reasonably well-informed. One version has Diego Garcia "traded" by Kissinger for DOD support on the SALT talks; another has it that the Secretary of State thought the island was so unimportant that he "gave" it to the Navy. Both interpretations are possible and not incompatible. If true, the most important aspect of these perceptions is that the decision to expand did come from the very top of the bureaucracy and was only then staffed out in the State Department.
27. The testimony of the Director of the C.I.A. lent some support to those who were opposed to Diego Garcia. William Colby noted three times in that testimony that it was the C.I.A.'s judgment that an increase in the U.S. presence in the Indian Ocean region would lead to an increase in the Soviet force levels. However, he did also state that should the U.S. do nothing, Soviet force levels would gradually increase anyway. His testimony before the Subcommittee on Military Construction (Senate) is reprinted in the Congressional Record of August 1, 1974.
28. Stephen P. Cohen, "U.S. Policy in South Asia," unpublished memorandum, Center for Asian Studies, University of Illinois at Urbana, June 15, 1972. See also William Bundy, op. cit. and William Barnds, India, Pakistan, and the Great Powers (New York: Praeger, 1972).